

## **MINUTES**

### **JOINT LEGISLATIVE OVERSIGHT COMMITTEE ON MENTAL HEALTH, DEVELOPMENTAL DISABILITIES AND SUBSTANCE ABUSE SERVICES**

**Wednesday, October 19, 2005**

**9:00 AM**

**Renaissance Hotel, Asheville, North Carolina**

The Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities and Substance Abuse Services met on Wednesday, October 19, 2005, at 9:00 A.M. at the Renaissance Hotel in Asheville, North Carolina. Members present were Senator Martin Nesbitt, Co-Chair; Representative Verla Insko, Co-Chair; Senators Austin Allran, Charlie Dannelly, and William Purcell and Representatives Jeffrey Barnhart, Beverly Earle, Bob England, Edd Nye and Fred Steen.

Kory Goldsmith, Lisa Hollowell, Ben Popkin, Shawn Parker and Rennie Hobby provided staff support to the meeting. Attached is the Visitor Registration Sheet that is made a part of the minutes. (See Attachment No. 1)

Senator Martin Nesbitt, Co-Chair, welcomed members of the committee and guests to Asheville and introduced members to the audience. He welcomed Senator John Snow, Representative Bruce Goforth, and Representative Ray Rapp to the meeting. Senator Nesbitt acknowledged that reform was encountering some difficulties and that the committee was committed to having a plan by May addressing issues of concern.

Continuing, Senator Nesbitt introduced Larry Thompson and Beth Melcher, consultants hired on a part-time basis to give the LOC their administrative and clinical perspectives. Mr. Thompson is the former LME director at Western Highlands with 38 years in mental health planning and administration. Beth Melcher is a psychologist with years of clinical experience and former Director of Public Policy of NAMI NC. She is currently under contract with Durham County.

Representative Verla Insko, Co-Chair, gave some background stating that the Auditor's Report in 2000 showed several problems in the mental health system resulting in a reform effort to address issues such as community capacity, best practice treatments and consumer involvement. She said that increased communication is imperative in order to move forward.

Senator Nesbitt asked for a motion for the approval of the minutes from the September 21<sup>st</sup> meeting. Representative Barnhart made the motion and the minutes were approved.

Lisa Hollowell from Fiscal Research, addressed questions from the September 21<sup>st</sup> meeting. (See Attachment No. 2) She reviewed a chart that showed the number and types of beds that remain open at all of the State psychiatric hospitals; a chart that showed downsizing at the State Developmental Centers; and a chart that showed the utilization

summary and balance of the Mental Health Trust Fund. Ms. Hollowell reviewed ways the Trust Fund may be used in the reform effort. Representative Barnhart suggested a chart be created to track the progress of reform. Representative Insko asked for further explanation from the Department on the expenditures related to housing initiatives and transition/bridge funding for community services.

Shawn Parker, Research Analyst, gave a synthesis of public comments from the September 21<sup>st</sup> meeting. (See Attachment No. 3) At that meeting, stakeholders were requested to give positive and negative aspects of reform. He reviewed a consolidated synopsis of areas of progress, areas of concern, and recommendations of stakeholders.

Next, Representative Insko reviewed a proposal for LOC work priorities during the interim. (See Attachment No. 4) She noted that two major areas of concern were the capacity and resources at the LME and Division levels to manage the system and the capacity to deliver services. She noted that the work plan is designed to study a number of issues that have been raised by members, stakeholders, and others. Senator Dannelly suggested that the issue of cash flow to the LMEs be addressed sooner than the January date in the work plan.

Kory Goldsmith, staff attorney, gave an overview of what legislation says about the LME role regarding management and utilization review. (See Attachment No. 5) The first statute she reviewed, G.S. 122C-141(a), changed the role of area programs from one of service providers to managers of services. The second statute, G.S. 122C-115.2(b)(1), provided the structure of the LME business plan, which governs how LMEs will implement their management roles.

David Swann, Director of Crossroads Behavioral Healthcare serving Iredell, Surry and Yadkin Counties, gave an LME perspective to reform. (See Attachment No. 6) Mr. Swann reviewed the nine key functions of Crossroads operational activities. He explained Access, Screening, Triage and Referral (STR) and Utilization Review (UR) and Service Management and how these functions are provided at Crossroads. Mr. Swann said that though Crossroads was a good model, it was not without challenges. He indicated that maintaining a provider network and the cost of travel over a large area presented challenges. When asked if patient care was better after reform, he responded that access to care was better with multiple providers and sites and that the LME could better follow-up on patient care. He also said that client packets were sent to everyone in the system to track outcomes. When questioned about the cash flow at Crossroads, he said that management was constantly monitoring the finances. He explained that Crossroads bills through the Division under the Integrated Payment and Reporting System (IPRS) for State dollars. The claim is sent to the Division, the claim is paid to Crossroads and then the provider is paid. The amount of State dollars the Division allocates to Crossroads for services is a fixed amount. Because there is a separate allotment for management, Crossroads trimmed administrative employees to save money that was shifted to service delivery.

The committee discussed information showing that processes are not standardized -across the State for LMEs, but -vary greatly depending on the size of the LME and whether an LME is urban or rural, with population and demographics all determining the progress of divestiture. The goal remains to have choices in the communities with an array of services that are uniform throughout the State. It was suggested that a chart be made to determine which of the nine functions were being provided by the LMEs.

Allyn Guffey, Acting Assistant Secretary for Finance and Business Operations for DHHS, addressed the Secretary's proposal to fund LME functions. He gave a brief background of the system before reform explaining that there were originally 40 area programs, but that reform legislation envisioned no more than 20. Mr. Guffey explained that the formula developed to project the cost of the LME functions was based on only 20 LMEs. However, there are currently 30 LMEs, all receiving administrative funds, which in turn has created a \$28 million shortfall. He said the Secretary's proposal is intended to bring the LME funding into line with the money available for administration. He said one method to achieve this goal is to reduce the number of LMEs doing Utilization Review (UR) to 10 instead of the current 30. He also said that LMEs would need to look at administrative operating budgets and make adjustments. If there was still a gap, he said that the formula would be modified.

After much discussion about the makeup of the LMEs and the \$28 million shortfall, committee members suggested that the LMEs be given more time than the December 15, 2005 deadline to merge into the 10 regional UR groups rather than DHHS assigning those groups. LOC members also expressed disappointment that the General Assembly was not made aware of the shortfall earlier. Members also asked that the following information be provided: 1) a list of counties that are area programs and that do not have a population of 200,000 or have less than a 5 county consolidation; 2) the amount of money going towards administrative services; and 3) a list of the original area programs from 2000, a current list of LMEs by county and population, a list of the 10 proposed UR regions, and a list of the single counties.

Senator Nesbitt then asked members of the public who had signed-up prior to the meeting to come forward and provide the Committee with their comments. Consumer and family members were: Jerry Rice, Mona and David Cornwell, Will Callison, Jere Annis, Emma Thorne, Billie Gilfillan, Chris Melton, Dennis Huntley, Howard Graves, Paula Cox, Sharon Thomas, Laurie Coker, Patricia McGivens, Nancy Baker, Julie Millain, and Cherie Novak. The speakers addressed the LOC and expressed their needs and concerns regarding reform. A brief syntheses of the comments includes: concern that CFAC do not have enough power; the need for better crisis care for children; the need for better support to allow children to stay at home; too much paper work; confusion in navigating the system; the need for local hospitals to treat mental illness; the hardship of the \$28 million shortfall; the unstable environment for providers; and concern that consumers are not actively involved at the decision making level. Senator Nesbitt thanked speakers for their comments and for sharing their concerns with committee members.

Senator Nesbitt asked Leza Wainwright, Deputy Director of the Division on Mental Health, Developmental Disabilities and Substance Abuse Services to give a report on the Mental Health Trust Fund. (See Attachment No. 7) She explained that a special provision in the budget requires the Division to consult with the LOC prior to making any allocations from the Trust Fund. Ms. Wainwright reviewed a graph showing the anticipated expenditures of \$24.7 million for fiscal year 2006. She indicated that all of the funds would be spent.

Mike Moseley, Director of the Division on Mental Health, Developmental Disabilities and Substance Abuse Services, gave a further explanation of the Secretary's proposal for Regional Utilization Review and centralized screening, triage and referral services. (See Attachment No. 8) He began by explaining reform legislation envisioned moving from 40 area programs to 20 LMEs. He said that at this point there are 30 LMEs with the possibility that there might be one additional merger. However, the number of LMEs probably would not go below 29. He indicated that consolidation was more successful if done voluntarily and the Department does not have the authority to force mergers. Mr. Moseley said that shifting certain management functions to a regional level would create efficiencies. The Secretary has asked the NC Council and the County Commissioners Association to propose 10 regions and partnerships and report back by December 15, 2005. If LMEs are unable to develop partnerships the Department would make those assignments. DHHS would then issue a RFP to select a local LME in each regional group to perform UR and access and referral functions. By April 1, 2006, local LMEs will have UR for all Medicaid services operational for all LMEs in their group.

Mr. Moseley was asked how many LMEs had been authorized to provide direct services. He answered that he would get that information. He was also asked what authority the Secretary had to require the 10 regions to perform UR if the Secretary did not have the authority to require LMEs to merge. Mr. Moseley said the difference was that the Department had contracted with the counties to perform certain functions. Some LMEs would never be able to fully operationalize some of those functions. Senator Nesbitt cautioned against regionalizing items that should be done at the local level.

Kitty Barnes, Chair of the Catawba County Board of Commissioners and President of the N.C. County Commissioners Association, provided a response to the Secretary's proposal. She explained the involvement of the counties in the communities— providing funding, administrative functions, physical locations for some LMEs and oversight of the jails. Ms. Barnes asked the committee and the Secretary to revisit the time frame of December 15 in order to create the 10 UR entities. Those LMEs not performing the UR function would lose money and needed to know much would be lost. She feared that there was a flaw in the cost model process and wondered if the new Service Definitions had been costed-out. She expressed concern that her LME might not be able to provide services later that were currently being offered.

Members voiced concern that the LMEs were not being allowed enough time to determine whether they would have enough money to operate their remaining LME functions if they were not chosen to perform the regional UR function. Members

discussed whether the consolidation date of 2007 needed to be moved back in order to allow enough time to thoughtfully accomplish the goals of reform.

Next, David Swann, past President of the North Carolina Council of Community Programs, highlighted a response to the Secretary's proposal. (See Attachment No. 9) He said the N.C. Council supports the principles of local public governance, efficiencies within the system, and principles of best practice services. He noted that all must be balanced in order to achieve the desired outcomes of system reform. The N.C. Council expressed concern that the December 15, 2005 deadline for grouping LMEs for regional UR was too short to allow for community and consumer involvement. The Council also believes the move towards regional UR for State dollars is premature.

The meeting adjourned at 2:45 PM.

---

Senator Martin Nesbitt, Co-Chair

---

Representative Verla Insko, Co-Chair

---

Rennie Hobby, Committee Assistant